

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF WEBSTER COUNTY |) | |
| WATER DISTRICT (1) FOR A CERTIFICATE OF |) | |
| PUBLIC CONVENIENCE AND NECESSITY |) | |
| AUTHORIZING CONSTRUCTION OF MAJOR |) | |
| ADDITIONS AND IMPROVEMENTS TO ITS WATER |) | CASE NO. |
| SYSTEM; (2) SEEKING APPROVAL OF REVISED |) | 98-182 |
| WATER SERVICE RATES AND CHARGES; AND (3) |) | |
| SEEKING APPROVAL OF THE ISSUANCE OF |) | |
| CERTAIN SECURITIES, PURSUANT TO THE |) | |
| PROVISIONS OF KRS 278.020, KRS 278.300, AND |) | |
| 807 KAR 5:001 |) | |

INTERIM ORDER

Webster County Water District ("Webster Water") filed its application on June 4, 1998 for a Certificate of Public Convenience and Necessity to construct a \$6,289,680 waterworks improvement project, for approval of financing, and for an adjustment to its water service rates. On July 7, 1998, Webster Water submitted a motion for an Interim Order authorizing construction of said project. This project consists of constructing a Raw Water Intake Structure and related facilities on the bank of the Green River; 8,900 linear feet of 18-inch PVC raw water transmission line from Green River to the existing water treatment plant; 4,100 linear feet of 4-inch PVC water transmission line to provide service to the Raw Water Intake Structure, and to expand and renovate the existing Water Treatment Plant. On July 16, 1998, the Commission denied this motion.

On August 4, 1998, Webster Water submitted a motion for an Interim Order authorizing construction of the \$877,877 Raw Water Intake Structure portion of said project. Interim funding for the proposed project includes a \$750,000 short-term loan with an interest rate of 5.4 percent and \$127,877 in reserve funds or the use of the \$2,000,000 Local Government Economic Development Fund ("LGEDF") Grant. On August 7, 1998, Webster Water was granted an Interim Order to proceed with construction of the Raw Water Intake Structure.

On October 5, 1998, Webster Water submitted a motion for an Interim Order authorizing construction for the remaining projects, a \$238,943 Raw Water Transmission Line and the \$4,091,190 Water Treatment Plant Expansion and Renovation. Funding for the proposed projects includes interim financing for a portion of the cost of the remaining projects by obtaining a short-term loan (12 months) in an amount not to exceed \$1,000,000 from the West Kentucky Bank at an interest rate of 5.4 percent. The balance of the interim cost of constructing the remaining projects will be paid for by using a portion of the \$2,000,000 LGEDF Grant available for these projects and by the use of the District's reserve funds.

Webster Water now moves for an Interim Order which grants a Certificate of Public Convenience and Necessity for the remaining proposed construction to include the Raw Water Transmission Line and the Water Treatment Plant Expansion and Renovation.

This Order will address the Raw Water Transmission Line and the Water Treatment Plant Expansion and Renovation construction portion of the application. By subsequent Order in this case, the Commission will address the financing as well as the rates

necessary to provide the utility with an opportunity to recover its reasonable operating costs, and service its debt.

After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Webster Water proposes to construct a Raw Water Transmission Line and the Water Treatment Plant Expansion and Renovation to replace the wells currently in place to provide a better quality and quantity of a raw water source.

2. Webster Water has advertised for bids on the remaining projects and received an acceptable bid of \$238,943 for the Raw Water Transmission Line and \$4,091,190 for the Water Treatment Plant Expansion and Renovation. The low bidders have agreed to extend their bids until at least October 23, 1998.

3. The total cost for construction of all three projects is \$5,208,010. Engineering, legal, administrative and other related costs total \$1,081,670 for a total project cost of \$6,289,680.

4. Drawings and specifications for the proposed construction were prepared by Neel-Schaffer, Inc. and have been approved by the Division of Water, Kentucky Natural Resources and Environmental Protection Cabinet.

5. Public convenience and necessity require that the construction identified in Webster Water's application be performed and that a Certificate of Public Convenience and Necessity be granted.

6. As none of the funding for the proposed Raw Water Transmission Line and the Water Treatment Plant Expansion and Renovation projects involves the issuance of

securities or evidences of indebtedness which are payable at periods exceeding two years, Commission approval of Webster Water's plan of financing is not required. KRS 278.300(8). In the event that financing on these projects is converted to long-term debt, Webster Water shall immediately seek approval from the Commission.

IT IS THEREFORE ORDERED that:

1. Webster Water's motion for an Interim Order to proceed with construction of the Raw Water Transmission Line and the Water Treatment Plant Expansion and Renovation is granted.
2. Webster Water is granted a Certificate of Public Convenience and Necessity to proceed with the Raw Water Transmission Line and the Water Treatment Plant Expansion and Renovation proposed construction projects as set forth in the drawings and specifications of record herein.
3. Webster Water shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
4. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.
5. Webster Water shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. Webster Water shall require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Webster Water shall furnish, within 60 days of the date of substantial completion of this construction, a copy of "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

8. The financing plan proposed by Webster Water is continued generally.

9. Webster Water's application for adjustments to water service rates is continued generally.

10. Nothing contained herein shall be construed as constituting approval of any other portion of Webster Water's application.

Done at Frankfort, Kentucky, this 13th day of October, 1998.

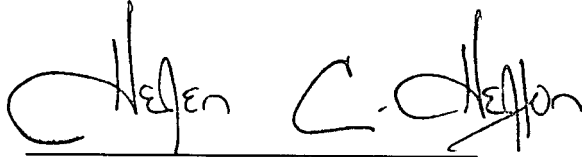
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director